NEW COLUMNIST — DALE TURNER
INTERVIEWS WITH MURRAY, SCHRICHTE

Military Market

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COUPON CRAZY!

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Beverage Sales Perk Along

After a half decade of decline, coffee sales are stabilizing as decaffinated types make up for losses in ground roasts. Tea sales, too, trend toward decaffinated varieties.

By DAVID B. COOLEY
Associate Editor

THE PRICE OF COFFEE should remain stable for the foreseeable future, according to a major coffee roaster.

In the world's two largest coffee-producing countries, Brazil and Colombia, the time is now past for the killer frosts that devastated the crop in the 1976-77 growing season. Manufacturers are expecting slight ups and downs in wholesale prices, which are due not so much to the consumption of existing inventories as to the slow shiploading in Uganda and to a recent strike by workers in Colombia, according to the major coffee roaster's military sales manager.

The International Coffee Organization has held firm on the quantity of green coffee beans it is allowing its member nations to produce and ship. So this variable in the pricing picture has been made constant — for the time being. Slowdowns in other countries or adverse weather could, of course, reduce the availability of green coffee beans, resulting in price hikes.

Coffee Drinking Down

As is well known in the coffee industry, per capita consumption in the United States has been on a downswing for a number of years. In a recent interview with David Kuhnert of the National Coffee Association of the U.S.A., MILITARY MARKET learned that coffee drinking reached an all-time high in 1962 with a per capita daily consumption of 3.12 cups. By 1977 the association determined that figure to be down to a "disastrous" 1.94 cups per day. The 1976-77 freeze in Brazil drove the price of raw coffee up and soluble coffee became the best buy. But its price was high, too, so many coffee drinkers switched to tea and other drinks.

Following slight rises in per capita consumption from 1978 through 1980, when prices were moderating, the average number of cups per day per person in 1981 stood at 1.92. In 1982, to date, it has fallen to 1.90.

Coffee continues to be the most popular drink in the United States. Americans consume about two-thirds of the world's supply. In 1982 a devoted 56.3 percent of the adult population — something more than 100 million people — routinely quaffed this hot brew. This figure is down just slightly from 1981's 56.4 percent. The annual value of the market is gigantic — between $4.1 billion and $4.8 billion. As a result, the competition in the coffee market is fierce.

The leading contenders in this market today are **Procter & Gamble's** Folger Coffee Co. and **General Foods** with its well-established Maxwell House and Sanka brands.

Several years ago, P&G launched a major campaign to go national with its then regional Folger brand, displacing General Foods' Maxwell House as the No. 1 selling brand of coffee. General Foods countered with even larger advertising budgets and now maintains the lion's share of the total coffee market with 42 percent, compared with P&G's 21 percent.

The real losers in the market-share battle have been the smaller, regional roasters. From about 100 of them in the early 70s, there are now fewer than 40. Most of them enjoy — or survive on — tiny market shares.

Today's teenagers are not copying the pattern of coffee drinking established by their parents, say coffee marketers. Many young people are drinking decaffeinated coffee, weaker coffee, less coffee, and many are not drinking coffee at all. Substantial numbers of established coffee drinkers have followed suit. The decaffeinated portion of the market has increased in recent years, making this the category's only real growth segment.

While the total coffee market decreased about four percent in 1981, the sales of all decaffeinated coffee (ground, instant, freeze-dried) increased nearly eight percent. In the commissaries the picture was slightly different: The sale of regular coffee increased 8.7 percent in 1981, from $104.6 million to

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$113.8 million, and sales of decaffeinated in the same period increased 7.6 percent, from $15.8 million to $17 million. One marketer said his company is now placing emphasis on the sale of ground decaffeinated.

Tea Sales Heat and Steep

Where coffee has taken its knocks, tea has, in large measure, taken over. This is especially true for specialty, flavored and decaffeinated teas.

One young company in particular has capitalized on consumers' caffeine awareness. **Celestial Seasonings** has brewed up a broad line of herbal teas. Larry Bosch, military sales manager at Celestial Seasonings told MILITARY MARKET that "1981 sales of herbal teas nationwide were about $86 million. In 1982 sales are expected to exceed $120 million." He said the West Coast, in particular, has become herbal-tea conscious.

Newcomer Celestial Seasonings has about 41 percent of the market, while the older, established **Thomas J. Lipton Co.** is a very strong second with 38 percent. The remaining 20 percent or so of the market is divided among a number of other firms.

Herbal teas sell much better from fall to spring. The standard variety teas sell well year-round, indicating that they are being used widely by both hot and iced tea drinkers. The use of herbal teas is more seasonal than that of the more standard variety.

The National Coffee Association of the U.S.A. told MILITARY MARKET that more Americans are drinking tea now than in years past. In 1962, 24.7 percent considered themselves tea drinkers. By 1981 that figure had risen to 32.6 percent. In 1982 it is predicted to fall to 31.6 percent, presumably losing a little ground to coffee. Overall tea sales increased 14.8 percent in 1981 to $581.5 million.

The reason so many people are switching to tea seems clear — the caffeine scare. Even the strongest blends of tea have only 50 percent of the caffeine that coffee contains. Brown teas have 30 percent as much, and green teas have only 20 percent. Moreover, many Americans tend to drink their tea weaker than they drink coffee.

Creamers, Cocoa Stir Up Sales

The Pream Co.'s military sales manager, Burt Bruffett, told MILITARY MARKET: "There is a very close correlation between the coffee market and the sales of nondairy creamers. As coffee consumption decreases, so do sales of creamers." Consequently, in civilian supermarkets the sales of nondairy creamers have decreased, but in the commissaries there has been a 10 percent jump in 1981, up half a million to $5.4 million, which corresponds closely to commissary coffee sales.

The chocolate and cocoa-mix market has had a surplus of cocoa for the last five years, resulting in five years of level prices. MILITARY MARKET learned from a large manufacturer that current cocoa crops don't look as good this year as in the recent past, so there may be price increases from these five-year lows as the demand for chocolate continues to enjoy a slow but steady increase. The cocoa mixes are primarily cocoa, powdered milk or powdered nondairy product and sugar, so prices are affected by shortages or surpluses in either cocoa or sugar production.

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COMMISSARY SALES OF HOT BEVERAGES

	WORLDWIDE	DOMESTIC	OVERSEAS
GROUND COFFEE	**$75,300,000**	**$60,300,000**	**$15,000,000**
Regular	25,700,000	20,600,000	5,100,000
Drip	17,400,000	13,900,000	3,500,000
Electric percolator	17,800,000	14,200,000	3,600,000
All purpose	6,300,000	5,100,000	1,200,000
Fine	2,600,000	2,100,000	500,000
Decaffeinated ground	5,500,000	4,400,000	1,100,000
INSTANT	**$28,000,000**	**$22,500,000**	**$5,500,000**
Regular	20,800,000	16,600,000	4,200,000
Decaffeinated	7,200,000	5,900,000	1,300,000
FREEZE-DRIED	**$14,000,000**	**$11,200,000**	**$2,800,000**
Regular	9,700,000	7,800,000	1,900,000
Decaffeinated	4,300,000	3,400,000	900,000
SPECIALTY COFFEE	**$2,100,000**	**$1,600,000**	**$500,000**
CREAMERS, POWDERED	**$5,400,000**	**$4,200,000**	**$1,200,000**
COCOA & COCOA MIXES	**$5,200,000**	**$4,100,000**	**$1,100,000**
OVALTINE & POSTUM	**$800,000**	**$600,000**	**$200,000**
TEA	**$18,000,000**	**$14,700,000**	**$3,300,000**
Bags	10,600,000	8,600,000	2,000,000
Instant & liquid	6,700,000	5,500,000	1,200,000
Loose/bulk	700,000	600,000	100,000
TOTAL	**$148,800,000**	**$119,200,000**	**$29,600,000**

SOURCE: Army Times Research Department. Data is for CY 1981.

Maternity

A Mother and Child Reunion

Design by Amy Ruth

After a number of barren years, sales in maternity and baby departments are picking up, thanks to a rise in the birth rate. The most notable change: older, more affluent women who demand the best for themselves and their newborns.

By SUSANNE D. WILLIAMS
Associate Editor

MOTHERHOOD IS IN FASHION again, promising growth to maternity departments and stores.

Birth rates over the past two years have climbed steadily, and so have sales figures for everything needed by babies and mothers-to-be. Retailing experts for maternity and baby merchandise talk of a baby boomlet and of a new thrust to a formerly sluggish category.

According to them, working women in their late twenties and early thirties are primarily responsible for the baby picture's pink. These women, initially concerned with jobs or careers, now feel their biological clocks are running out. As a result, they go through their first births at an age at which their own mothers already had school-age children.

In addition, many women in their early twenties are still deciding to have their first child as soon as possible or are becoming pregnant at an early age. Both groups have raised the demand for ma-

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Maternity

NECK-AND-SHOULDER treatments, drawing attention away from stomach expansion, figure prominently in Amy Ruth's maternity dresses. In this sketch neck, shoulders and wrists are emphasized with soft ruffles.

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ternity clothing and baby products.

But their demands differ in relationship to their needs and economic power, retailing experts point out. Older and working women want sophisticated clothes for themselves and nothing but the best for the newborn. Younger, less well-to-do women tend to go through their pregnancy in casual clothes and restrict their baby product purchases to basic items.

This dichotomy poses problems for exchange officials, who operate within the confines of limited stock assortments and tight sales space. The resulting question of which merchandise to stock is often answered by sticking to basics. "We have quite a trim assortment, which does not allow for great fashion and price flexibility," Vivian West, AAFES' intimate apparel buyer, told MILITARY MARKET.

Harold Mandel, AAFES' supervisory merchandising specialist for women's clothes, sees limited potential for upscale merchandise. "The bulk of [maternity] clothing is in the lower-price categories."

The bulk of sales in Navy exchanges is in basics, too. But Marie Sansonia, NAVRESSO's maternity wear and lingerie buyer, sees an upscale trend. "First-time mothers are approximately five to 10 years older than they were 10 years ago and spend more money on their wardrobes," she said.

Regardless of how much a pregnant woman intends to spend, there are certain investments she has to make: clothes for herself and articles for her child.

After four to five months of pregnancy, when the body has grown too large to still comfortably fit into regular clothes, a woman needs a new wardrobe. She should wear loose-fitting clothes, a good bra and a sensible pair of shoes, Dr. William F. O'Brien of Bethesda Naval Hospital told MILITARY MARKET.

Pregnancy affects not only the size of the stomach, but also the size of the breasts, hips and legs, he said. As a result, women should invest in clothes that accommodate the growing body. "Some women have changes in bras up to three cup sizes, especially during first pregnancies. They also experience a change in their center of gravity, which requires footwear that is more stable," he said.

New Lingerie Needed

A pregnant woman's new bra and shoe purchases do not register as maternity-related sales, although, in effect, they are. More easily tracked are maternity lingerie and clothes, which are cut to fit the growing body.

In intimate apparel, AAFES offers one style of nursing bra, one slip style, two styles of panties and two styles of pantyhose. All lingerie is available in white only, and the pantyhose — one regular, one support style — are available only in basic colors. So far, there is no room for fashion colors, AAFES' West said. Some manufacturers, however, offer this type of hose in current fashion hues.

Fancee Free added black as a new color to its foundations after the company received many requests for it. But white and beige, the predominant colors for maternity underwear, "run fairly close" in popularity, a company spokeswoman told MILITARY MARKET. Most of the company's goods are made of man-made fibers or fabric blends, with polyester-cotton blends being a favorite material for sleepwear. But the spokeswoman added, "We have had a lot of requests for a cotton bra."

AAFES' nursing bra is made of cotton, as are many garments for pregnant women. "When you're thinking maternity, you're thinking natural fabrics," West said. There is a good medical reason for it: Pregnancy increases the blood flow to the skin, O'Brien said. As a result, some women often feel warm or experience increased skin sensitivity, problems which natural fibers help alleviate.

Some pregnant women also need girdles to ease back pains, although AAFES currently does not carry any maternity girdles. "Girdles are a very, very weak category," West said. AAFES sold only 24,000 last year worldwide, none of them for pregnant women. "Gals nowadays don't want that tighter control," West said.

Some control, however, is provided by support pantyhose. They "can be useful for back pain," O'Brien said, although "they can be very warm in summer." The major consideration is that the mother-to-be buy a product that does not cut off the blood flow, a consideration that pertains as much to intimate apparel as it does to maternity clothes in general.

Bigger and Better

This fact is often not understood by mothers-to-be, especially women in their first pregnancies, a retailing expert for Lady Madonna, a maternity franchise operation, told MILITARY MARKET. These women often buy maternity jeans as their first piece of new clothing, but they buy them too small.

Since some women do not accept their growth or make allowances for it, they often "have to buy a second maternity wardrobe," said Kay Burgess, an independent sales agent for a number of maternity lines. For that reason alone, knowledgeable sales help is very important to help the pregnant customer make the right choice.

A poor self-image — some pregnant women feel downright ugly, O'Brien said — also affects the

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Maternity

THE NAUTICAL LOOK inspired this combination by Over the Rainbow. The dress pants are shown in black with a matching blouson in satin stripes.

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first maternity wardrobe purchase. Seeing herself in what seems to resemble a tent can be a devastating experience for a pregnant woman. She may also suffer from acne, a common pregnancy problem, varicose veins or darkening of the skin, the so-called "pregnancy mask." In all cases, a pretty outfit is often the answer to the problem. "A woman may spend a little bit more money so that psychologically she feels good," a spokesman for **Peppertree,** a clothing manufacturer, told MILITARY MARKET.

Fortunately for today's pregnant woman, clothes with fullness are in fashion. "The regular market has float dresses," Burgess said, and float dresses and A-lines are today's predominant style for maternity clothes. Gone are the days of cutesy tops, baby colors, empire dresses and tie-backs that emphasized the size of a pregnant woman's breasts and stomach. Today's woman "would faint if she had to buy an empire dress," Burgess said.

The 1980s Style

The customer of the 1980s usually wants a wardrobe that has clothes like the ones she used to wear before she became pregnant, maternity fashion experts agree. If she likes to wear jeans or designer jeans, she also wants these items when she is pregnant. The same is true for business clothes. Today's pregnant woman "cannot afford to look frumpy," one industry source said.

The emphasis on the no-frumpy look has given rise to a host of new design companies that try to cater to the modern pregnant woman. **Amy Ruth,** for instance, caters to women with sufficient financial resources to afford $140 to $240 dresses, often in silk. **Over the Rainbow** specializes in clothes for working women, with clothes retailing between $60 and $90. **Susan Allen Designs** offers swimsuits and activewear in fashionable colors and styles, allowing pregnant women to exercise with fashion flair.

Pregnant working women have helped to stimulate this new industry as have laws that protect women from being fired because of their pregnancy, Kay Burgess told MILITARY MARKET. But she also sees an end to this industry's growth, which, she says, "has reached a peak. Some companies that got started recently are now biting the dust. The slice of the pie gets thinner."

Some maternity clothing companies also suffer from high production costs, since they have shorter runs and cannot always meet the minimum set by the makers of piece goods. This often translates into retail tickets that are too high for some pregnant women.

As a result, some women try to get by with a few tops and a couple of pairs of slacks. Peppertree, with price points between $13 and $15 for tops, caters to that type of woman. "A customer is in that stage [pregnancy] for a limited time and doesn't want to buy a tremendous amount of clothes, which she only needs for four or five months," the company spokesman said. AAFES' sales reflect that trend. "Pants and tops are far and away the best-selling items," Mandel told MILITARY MARKET.

On the other side of the spectrum is the woman who cannot afford to live only with pants and tops and thinks that clothes worn practically every day for at least four months need to be of excellent quality. For her, dresses are the answer. NAVRESSO has recognized maternity dresses as a growth category, with pants constituting "everyday volume," according to maternity wear buyer Marie Sansonia.

Dresses are also bought by women who used to wear business suits before their pregnancy. "Suits are very hard to fit for the maternity body," Burgess said. Jackets have to be long to accommodate the stomach's size, and thus make a suit look "matronly." An alternative: jumpers with short jackets.

Some pregnant women also need evening wear and outerwear, although neither are carried by ex-

LIVE BIRTH RATES IN THE MILITARY

	1979	1980	% change	1981	% change
Army	39,592	41,883	+5.8	41,812	-0.2
Air Force	29,007	30,611	+5.2	30,856	+0.8
Navy/MC	28,413	27,480	-3.4	27,977	+1.8
U.S. Total	3,494,000	3,598,000	+2.9	3,646,000	+1.3

SOURCES: Army, Air Force, Navy, Census Bureau

changes. "We have no outerwear requests," Mandel said. NAVRESSO's Sansonia considers coats and formal wear "frilly" items that are nice to have for pregnant customers, but are not essential.

Since about 50 percent of military wives are currently employed, exchanges are called upon to fulfill the needs of two sets of customers. Yet unlike speciality shops, they can only go so far. "I am sorry I cannot offer everything a maternity store has," sighed AAFES' West. Her problem is shared by other military buyers catering to the maternity market.

For the Newborn

Anita Marx, AAFES' buyer for children's fashion clothes, regrets that "I can't buy it all — it's all so pretty." Her problem is undoubtedly familiar to customers, who have the choice between baby necessities and what the Lady Madonna spokeswoman called "grandmother items": cutesy, frilly products that are often given as gifts.

Today's parents seem to have room for both. "[They] can afford better products," Mel Asuncion, AAFES' buyer for juvenile furniture, said. As far as step-up models of baby items are concerned, "customers don't seem to mind that extra money." They spend it on car seats, for instance, which are now required in 13 states and are fast becoming a "nationwide thing."

Most customers seem to be in unison in their preference for one seemingly luxurious item: disposable diapers. These have captured and still maintain the largest segment of the baby H&BA category, NAVRESSO buyer Richard DeLuca noted. For AAFES, "disposables by far exceed cloth diapers in terms of sales," Lora Bracken, buyer for basic infant merchandise, told MILITARY MARKET. "By far" translates into an 80-to-20 ratio, she said, although nonworking mothers usually buy cloth diapers more than those who are employed.

In disposables, those with elasticized legs are gaining importance, according to Bracken, although the nation's No. 1 brand, **Procter & Gamble's** Pampers, has only recently added this version to its line. The company also holds the No. 2 spot with Luvs, a higher-priced brand that has always featured elasticized legs, a company spokesman told MILITARY MARKET.

P&G's military business is a healthy one, with the majority of diaper sales generated in commissaries, the spokesman said. He also showed little concern over disposables' generic competitors. "If price were the main reason [for disposable purchases], generic brands would be the leading ones."

Some companies, however, are more concerned with "what the military is doing with generics," a **Johnson & Johnson** spokesman said. Some exchanges take brand names off the shelves and replace them with generics, he told MILITARY MARKET. Still, some of J&J's baby products maintain top sales positions. "Our baby powder is the largest selling talcum powder in the world," the company spokesman noted. Its Johnson's Baby Wipes, which were introduced a year ago, are now the No. 1 baby wipe on the market, he said.

Many baby care products, however, have users other than babies. "Seventy percent to 80 percent of our baby toiletries are used by adults who use them for sensitive hair and skin," the Johnson & Johnson spokesman said. "It's an extended toiletry business rather than a baby business."

In a way, all baby products' business is an adults-only business in which the very adult consideration of disposable income calls the shots. Currently, many new mothers seem to have sufficient amounts of it: Maternity and baby product sales overall are rosy, happy and healthy.

MM

SALES TIPS FROM OUTSIDE THE GATE

SO FAR, EXCHANGES DO NOT HAVE mother-and-child boutiques in which all related merchandise is sold in one department, although some resale buyers would like to see such departments created. Mothers-to-be now have to shop from department to department, with little in-store guidance available.

Space and limited stock assortments are the major obstacles for exchanges wanting to increase their maternity-related sales, but some help — even allowing for limited assortments — is available.

- **FROM MANUFACTURERS:** National Baby Week at the end of April provides an opportunity to draw attention to all product categories related to mother and baby, from food processors, which can puree baby foods, to exercise bikes. Manufacturers offer a variety of in-store promotional materials in such areas as baby food and baby products.
- **FROM DIAPER SERVICES:** *Baby Talk* is a publication available free from local diaper services and is carried in some maternity shops.
- **FROM A PUBLISHER:** Another publication suitable for sale within the maternity sales area is *Pregnancy — How to Look Good and Feel Great* (Chartwell Books Inc., Secaucus, N.J., 1982), which provides a step-by-step introduction for pregnant women. Its many tips can have a positive effect on maternity and baby product sales.
- **FROM A PHYSICIAN:** Pregnancies provide an opportunity for add-on jewelry sales. According to Bethesda Naval Hospital's Dr. William F. O'Brien, many pregnant women cannot wear their old rings, including wedding bands, since their hands and fingers swell. A small tray in the maternity department with inexpensive wedding bands or some costume jewelry, replete with information on the swelling problem, might stimulate an extra purchase.
- **FROM MATERNITY STORES:** Some retailers offer a list of "musts" needed for the mother- and child-to-be and make it available to customers. Such a list, which resale buyers say does not yet exist on a systemwide basis, is designed to help inexperienced shoppers and encourage multiple sales.
- **FROM A FULL-LINE DEPARTMENT STORE CATALOG:** Retailing giant Sears has just published a special-purpose catalog geared specifically toward the newborn baby that includes every possibly needed product. So far, it does not include maternity wear other than nursing bras and the like, but possibly that is just another catalog away. — **S.D.W.**

COUPON CRAZY

Photos by Kate Patterson

There seems to be no end in sight to shoppers' hunger for the cents-off coupon Manufacturers also stand firmly behind the concept of coupon promotions, even though some industry experts say as much as 20 percent are fraudulently redeemed.

By GUY LAMOLINARA
Associate Editor

SHOPPERS have become coupon fanatics.

Seen increasingly as a hedge against budget-busting food prices, the valuable certificates are being redeemed in record numbers, and manufacturers are responding with coupon issues that are reaching new highs.

There seems to be no end in sight to the ever increasing value of coupons thrust into the marketplace. According to the U.S. Department of Agriculture's most recent figures, coupon values in 1979 topped the $900 million mark; 81.2 billion coupons were distributed that year. USDA figures do not include commissary/exchange-use only coupons.

"We haven't even seen the crest of this wave of coupons. I don't know where it's heading," Dick Amster, vice president of Marketing Showcase Inc., a promotional firm, tells MILITARY MARKET. Amster attributes 90 percent of the increase in coupon issues and redemptions to the weak economy.

Although most shoppers — about 80 percent, according to the Department of Agriculture — use coupons and view them favorably, coupons and controversy have been side by side almost since the first coupon was issued in 1895. **C.W. Post** offered a penny refund on a new product called Grape-Nuts.

Consumer groups for years have complained that shoppers would save more money if coupons were outlawed altogether. They say manufacturers could cut prices across the board with the money they would save by not issuing coupons. Promotion-conscious manufacturers have countered, saying the money spent on coupon-

MANUFACTURERS frequently spur impulse buying by placing coupons at the point of purchase (ABOVE).
A SHOPPER at Andrews AFB, D.C., hands the cashier a small stack of coupons for redemption.

ing would not be used to cut prices; rather, it would simply be funneled into other forms of promotion.

Startling Statistics

Commissary shoppers have been in on a piece of the coupon action. 1981 redemptions in Air Force commissaries totaled $9.5 million; 1980's total reached $7.9 million, a 14.6 percent increase. Army shoppers in 1981 handed cashiers $5.37 million worth.

Navy shoppers in commissaries redeemed $2,739,627 in coupons in 1980 and $3,207,106 in 1981, a 17.1 percent increase. Marine Corps commissaries handled $609,263 worth in 1981; 1980 figures were not available.

Nationwide, about one in every 20 food coupons is redeemed, translating into a five percent redemption rate. In 1977, the USDA says about 1000 manufacturers issued coupons for such products as health and beauty aids, processed foods and coffee, which the USDA says accounts for 21.4 percent of the total value of all coupons redeemed for food items. Breakfast cereals, at 11.3 percent of the total, are a distant second.

In 1980 the USDA's Economic Research Service conducted a survey of redemptions in a large grocery store chain in the Baltimore-Washington area. The sample included representative stores with unusually high rates of coupon use.

Nonfood redemptions. These accounted for about 39 percent of the number of coupons redeemed. Among nonfood items, pet foods demand a disproportionate share of coupon redemptions. Although the category usually accounts for about two percent of total store sales, nearly eight percent of the number and 10 percent of the value redeemed were for pet foods.

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COUPONS

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Household supplies and general merchandise staked out an additional 30 percent.

Food redemptions. In the ERS survey, food products were even more lopsided in terms of coupon redemptions. Five food groups — coffee (mainly), tea and cocoa; soups; baby food; prepared meals; and breakfast cereals — accounted for $2 of every $3 of the value redeemed and for about 50 percent of the total cashed in.

Although the weakening economy has effected a rise in coupon issues, other factors have also contributed. Two of the most salient are generics and house brands. Coupons create brand loyalty and aid manufacturers trying to differentiate their products from competitors. Manufacturers, especially those trying to squeeze new products into increasingly crammed store shelves, have issued coupons in the hope of inducing sales trials.

Experts agree, however, that coupons will not revive a dying product. "What good is a coupon if they don't buy the product?" says John Patrick, MSM for **Frito-Lay.** "No amount of couponing will save some products."

Says the MSM for a major manufacturer of paper products: "We've had some products that were fizzling out and we tried to

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FRAUGHT WITH FRAUD: Dealing with Misredemptions

THE LEVEL of coupon fraud has reached epidemic proportions, and there is no end in sight to the malaise.

According to most estimates, including those of the U.S. Postal Service's Inspection Service, 20 percent of all coupons redeemed are done so fraudulently. The USPS becomes involved in controlling coupon ripoffs because when the mails are used to send coupons to the clearinghouses, a felony is committed.

Postal inspectors have been active — and cunning — in their approach to policing fraud. One of the most recent postal sting campaigns was in Detroit with a fictitious shampoo called Attract. The coupon ran in the *Detroit Free Press*, *Detroit News* and *Flint Journal*. About 6000 bogus coupons were returned for redemption from grocers in 18 states. Detroit was chosen for the sting because "there's a lot of coupon fraud activity" there, Walter Ladick, USPS program analyst, tells MILITARY MARKET.

The Attract investigation is still ongoing. Ladick notes that military commissaries and exchanges are not involved in the investigation, nor have they been involved in any past examinations.

Not only does coupon fraud hurt manufacturers, it hurts consumers too. Kenneth Baumbusch, president emeritus of the Promotional Marketing Association, says, "There are certain markets where fraud is five times as prevalent as it is in other markets. Detroit was one of them. If you had a limited budget as a manufacturer, you'd run the coupon in a city other than Detroit. You can't afford risk in such cities."

Attract was not the first of the USPS' sting operations. In December 1977 a coupon for a nonexistent product called Breen was run in the New York City area. A redemption center was created under the name CFCP (Coupon Fraud Control Program) Coupon Redemption Inc., in Clinton, Iowa. Clinton is also the location of A.C. Nielsen's clearinghouse. From 42 states, 2090 retailers attempted to redeem 74,894 coupons. The investigation resulted in, over a three-year period, 142 convictions.

The types of coupon connivers are as prevalent as the schemes to wipe them out. The USPS says the following are of primary concern:

- **Unethical retailers submitting coupons for products never purchased.**
- **Organized criminal groups will either cut or duplicate large numbers of coupons and submit them for redemption to clearinghouses using fictitious names. These groups also sell them to retailers and clearinghouses.**
- **Commercial coupon clearinghouses pad legitimate shipments from retailers or submit coupons under fictitious store names.**
- **Newspaper dealers, delivery personnel and newsprint salvage operations sell unused coupon inserts, at a reduced rate, for fraudulent redemption.**
- **Charitable groups sometimes collect coupons for a worthy cause and sell them for a percentage of their face value.**
- **Retail checkout personnel add coupons to those cashed in by shoppers, removing the extra amount from the register drawer.**

"It's [coupon fraud] too hard to detect," Baumbusch says. But manufacturers, promotion houses and others are not giving up. All coupon issues by Marketing Showcase Inc., such as the company's Sunday insert, Product Movers, are consecutively numbered. If too many consecutive numbers are redeemed by a single retailer, an investigation may be triggered.

"You can see gang-cut coupons with a naked eye," Baumbusch says of misredeemed coupons that are collected *en masse* and run through a cutting machine.

Another ploy is to photographically reproduce coupons. Mint condition coupons, especially when turned in to clearinghouses in mass quantities, are also suspect.

Marketing Showcase's distribution trucks are all bonded to protect the valuable Sunday newspaper inserts from theft. NAVRESSO warns store managers to treat coupons just like money: "Since these coupons represent cash, all security procedures for the handling of cash will be observed. Vendor coupons will be kept secured at all times and not left indiscriminately lying on desks, in file cabinets, etc."

The USDA takes a rather bleak view of coupon fraud: "The cost to conduct these investigations means that all Americans, whether coupon users or not, are subsidizing coupon fraud."

But one thing is certain: Coupons are here to stay. — G.L.

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revive them with coupons, but it was a disaster. The products died anyway."

Coupon clearinghouses, suppliers and manufacturers are always looking for those characteristics that will produce the highest redemptions rates for their coupons. The value of the coupon and the way in which it is distributed are the factors that most affect redemption rates, says the USDA. The three distribution routes are printed matter (magazines and newspapers), direct mail and in- or on-package. The majority of coupons are distributed through newspapers (61.8 percent). These coupons account for 44.2 percent of total redemptions. Newspaper coupons do not, however, have the highest rate of use. That distinction goes to the coupons that have the lowest distribution costs of any form of coupon: the in-pack (17.6 percent redeemed) and on-pack (12.8 percent) types. The reason for this, acoording to the USDA, is that purchasers are already likely to have purchased the product.

A variation of the in- and on-pack coupon is the cross-in- or cross-on-pack coupon, which is usually a coupon for another product from the same manufacturer.

Far behind in rate of use are those clipped from Sunday newspaper inserts (five percent). Other newspaper coupons have varying rates of use: run-of-paper (2.9 percent), co-op (3.3 percent), Sunday magazines (2.1 percent).

A more successful form of coupon issue in terms of getting customers to use them is the direct mail approach (10.5 percent). Marketing Showcase produces Showcase Direct, a four-color mailer that reaches what Amster calls "a cross-section of the high-user family." High-user families are determined by taking profiles of 50 product categories and comparing them with demographic statistics. Showcase Direct reaches 25 million of these high-user families, he says.

A variation on the coupon approach is the offer that requires a customer to provide a proof of purchase to the manufacturer in exchange for cash or a cents-off coupon on a future purchase. Travis Whitlow, promotional manager of A.C. Nielsen, tells MILITARY MARKET: "This type of promotion is growing by leaps and bounds. It gives manufacturers the opportunity to directly impact the cost of groceries. It also allows refunds on things where you can't use coupons. In many states it is illegal to coupon liquor."

The refund offer also is very effective to induce sales of high-ticket items. It is unsafe for manufacturers to offer large discounts on

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CONSUMER REDEMPTIONS OF MANUFACTURERS' COUPONS

Item	Percentage of total coupons redeemed	Percentage of total value of all coupons	Average face value per coupon (cents)
Beverages			
Soft drinks	1.7	1.8	24.4
Coffee, tea, cocoa	6.7	13.1	45.6
Milk, butter, cheese	2.9	2.0	16.3
Meat, fish, poultry, eggs			
Fresh	0.2	0.5	65.8
Processed	4.5	4.9	24.8
Cereal and bakery products			
Bread and rolls	3.5	2.6	17.2
Cookies, crackers, snacks	2.5	1.8	16.7
Breakfast cereal	9.9	6.9	15.9
Flour and flour mixes	3.3	5.0	36.2
Rice, pasta	1.4	0.9	14.8
Sugar and sweets			
Sugar, syrup, jelly, ice cream, candy, desserts	3.4	3.0	21.2
Soups, baby & prepared food	9.6	10.6	26.2
Nonfood			
Tobacco	0.8	2.3	62.1
Pet food	7.8	9.3	28.1
Household supplies	12.8	11.6	21.4
General supplies (chairs, dishes, motor oils, toiletries)	17.3	15.7	21.4
Total nonfood	**39.1**	**38.9**	**23.7**
Total	**100.0**	**100.0**	**23.5**

SOURCE: U.S. Department of Agriculture

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ACCORDING to an industry expert, such promotions as the proof-of-purchase cash refund are the fastest growing form of price reduction.

coupons turned in directly to retail operations because these are very susceptible to fraud.

Reaching Low Incomes

Interestingly, those shoppers who could most benefit from using coupons, the low-income shoppers, are not the most frequent coupon users. According to Amster, the all-American coupon family has four members and earns $18,000, $3000 more than the national average.

Reasons why low-income shoppers do not use more coupons are many. The bureau of Labor Statistics indicates that low-income groups have less access to the more than 90 percent of all coupons issued through newspapers and magazines.

Ethnic groups that traditionally have large numbers of low-income members have also been less frequent users of coupons. "This has been changing in the last 10 years," Kenneth Baumbusch, president emeritus of the Promotional Marketing Association of America, tells MILITARY MARKET. He says that 10 years ago, 45 percent of black and Hispanic families used coupons; today that rate is 65 percent.

Military Coupon Issues

Many manufacturers, in addition to issuing general-use coupons, participate in promotional programs strictly for the commissary/exchange shopper. And for good reason: "The military can't do any of its own advertising. Commissary officers, and our company, are trying to get more customers into the commissaries. This is an effective way to do that," says Frito-Lay's Patrick.

"It [the resale system] is a different marketplace, with different demographics and geography," a military salesman for a major pet foods manufacturer, tells MILITARY MARKET.

"Often a corporation's [civilian-oriented] marketing mix does not reach the military shopper with the same level of impressions," he says. The results of a military couponing campaign? Higher redemptions than for civilian stores, he says.

Patrick concurs: "In civilian stores, anything over 10 percent redemption rate is great. But in the military a 10 percent rate is low. In most areas it's over 10 percent."

Patrick believes the rates are so much higher for military-issue coupons because it is easier to direct advertising at a specific market by advertising in military publications.

During a promotion, Patrick says his company's sales can go up as much as 10 times the normal rate and sometimes a whopping 15 percent sales increase is registered.

Frito-Lay's coupons generally have an expiration date of one year from the date of issue. "This way we can see how well they did. If there's no expiration date, customers tend to file them away, and it becomes difficult to judge a coupon's effectiveness," he tells MILITARY MARKET.

The MSM for the paper products company tells MILITARY MARKET: "We have better redemption rates with the military-use coupons, simply because these shoppers are more brand-conscious. We're in a highly competitive category and we need to periodically issue coupons so that our customers don't desert us. Let's face it, there really isn't much difference between one brand of facial tissue and another."

A.C. Nielsen, which operates a clearinghouse in Clinton, Iowa, recommends that all coupons have an expiration date. "Otherwise manufacturers are liable to infinity," says Whitlow. "It's not economically justifiable for the manufacturer to have our computer counting only two or three coupons a month, [long after a coupon was issued]," he says.

Much of the couponing business is seasonal. Frito-Lay is participating in AFCOMS' Sixth Anniversary Sale. In August and September the company promotes the single-serving variety pack for back-to-schoolers. Ruffles, a popu-

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lar party snack, will get a big push in December. Marketing Showcase's Amster says, generally, the heaviest time for coupon use is from October through April.

What Retailers Think

"They love them," Amster says. Some civilian retailers, however, don't love what they see as a stingy redemption fee. They believe that the current 7¢ per coupon is too low to adequately cover their costs. The resale systems don't seem to have this problem. In fact, their actual handling costs are exceeded by income paid by the manufacturer. In FY 1981 AFCOMS' actual handling costs were $508,871; their income from manufacturers was $2,648,802. TSA estimates its handling costs at 6¢ — 1¢ less than the manufacturers pay.

"Generally, the military retail managers favor coupons. They reduce prices to the customer, and that's their ultimate mission," Patrick says.

The Food Marketing Institute in 1979 estimated coupon handling costs in three sample stores. The costs ranged from a low of slightly more than 5¢ to a high of about 9¢ per coupon. In another survey by the Grocery Manufacturers of America, Giant Food in Washington, D.C., was estimated to have a handling cost of 11¢ per coupon.

About one-fourth of the cost is attributable to the extra time spent by the cashier in accepting the coupon — five seconds. Coupon processing at the store office accounted for another 45 percent. Ten percent of coupon costs were paid to the clearinghouses. Eight percent is eaten up by finance charges accumulated from the time the coupon is redeemed until the store receives compensation. Supplies and unacceptable coupons were responsible for three percent of the total, says the USDA.

In addition to handling costs, other costs figure into the couponing business. According to the USDA, production, distribution and handling costs amounted to 70 percent of the face value of coupons redeemed; handling costs accounted for nearly 40 percent of face value.

Another possible problem with coupons is that they can force retailers to handle items they normally would not stock, or they can cause stores to allocate extra shelf space for these products.

Army and Air Force commissaries report, however, they do not experience such problems. NAVRESSO's Director of Public Affairs John Russas says, "If stores feel they want to sell the product, they can. But we are willing to tell customers we do not want to stock the [couponed] item." Air Force officials tell MILITARY MARKET: "The only time you might see more of a product on the shelves is if there's a special price reduction in addition to the coupon." Says TSA: "No. [We are not influenced by coupon issues.]"

Coupon Controversy

It is these handling costs, coupled with the costs of the coupon refunds themselves, that have sparked anticoupon attitudes among consumer activists such as Esther Peterson, a former White House consumer adviser.

The Center for Science in the Public Interest, based in Washington, D.C., is a consumer group that conducted a test beginning in September 1981 on 14 items; results were published in March 1982. Six name brand items were cheaper when purchased with a coupon, resulting in a saving of 26¢. Eight house brands were purchased without the use of a coupon, and the total was still $1.41 cheaper than for name brand products purchased with coupons.

The Promotional Marketing Association's Baumbusch claims, however, that "if you took the complete cost of all coupons and applied it against their prices, you could lower product costs by an average of only 0.6 percent."

What about nonusers? There is no doubt that nonusers subsidize coupon users, says the USDA. Officials of the USDA's Economic

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The pick of pockets.

Toshiba's new KT-VS1 stereo cassette player is truly a small wonder. Its stereo headphones collapse, its tuner pack plays AM/FM stereo and it has two stereo headphone jacks, auto stop and soft touch controls.

An even tinier advancement is the RP-S5, which plays FM stereo through collapsible headphones.

Which will you pick for your pocket?

TOSHIBA

Toshiba America, Inc., 82 Totowa Road, Wayne, NJ 07470

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COUPONS DISTRIBUTED, 1965-1980

Year	Billion Coupons
1965	10.0
1966	12.8
1967	14.5
1968	16.5
1969	17.6
1970	16.4
1971	20.3
1972	23.4
1973	27.6
1974	29.8
1975	35.7
1976	45.8
1977	62.2
1978	72.7
1979	81.2
1980	90.0

SOURCE: U.S. Department of Agriculture

Research Service note: "Nonusers are in essence paying the costs of couponing without the offsetting compensation of the coupons' cash value."

In the ERS survey, it was held that the nonuser forfeits the average cash value of the coupon — 23.5¢. "But the nonuser has also saved the issuer the face value plus the average handling costs of 8.5¢ a coupon. Furthermore, by paying the full product price, the nonuser has provided the issuer additional revenue to use in compensating the user and paving production and distribution costs." The ERS adds, however, that the amount of nonuser subsidy "may be small or nonexistent" because coupons account for a minor portion of the overall food advertising and promotion dollar.

It is speculative at best to try to judge the net effect of the coupon system on consumers. Monetary values on such things as time in searching for and clipping coupons, the value to society of innovative food products that might not receive distribution without the use of coupons and other factors, are difficult, if not impossible, to affix. The ERS suggests that the availability of private label products gives consumers who do not wish to support the system some choice in the matter.

Another issue sparking controversy is small-manufacturers' claims that they are forced to offer coupons to compete with larger firms. This is especially true for small firms trying to introduce products that compete directly with well-established brand names. The advantage of coupons, however, is that they assure small manufacturers that their promotional activities, no matter how small or localized, will have an impact on shoppers' buying decisions. Some small manufacturers indicate they prefer coupon promotions to such forms of advertising as television, which is many times beyond the realm of their ad budgets.

Still, coupon competition is much less burdensome for the large food firms, who, according to USDA officials, are heavier coupon issuers than other firms: "Market concentration — share of sales by the four largest firms [in each product category] — is an indirect measure of the presence of large leading firms in an industry, and concentration is positively and significantly related to coupon intensity."

Consumer and health groups also complain that coupons are issued primarily for highly processed foods whose natural counterparts are more nutritious. Those items with the highest farm value — fresh meats, poultry, eggs, dairy products and fresh produce — are the items most infrequently couponed. Conversely, the items with the lowest domestic farm value — breakfast cereals, flour and flour mix products, soups and baby and prepared foods — are the most often couponed items.

The statistics prove, however, that the bargain-hungry shopper will continue to use coupons with relish. The USDA says food prices doubled between 1971 and 1979, and consumers view coupons as a way to fight back. Manufacturers believe the costs of couponing are offset by the increased sales. "Sales [of our snack foods] in the last two years have grown 16 percent to 19 percent a month, and couponing is one of the reasons," Patrick says.

MM

Snap in
Snap on
Promotion Pads
With Arrowhead
Fasteners
TAKE ONE
50¢ CASH REFUND
The easy, proven way to put up offer pads. Write for samples of our full line of point-of-sale fasteners. Request our free brochure.
Fasteners for Retail
12 Alpha Park
Cleveland, Ohio 44143

H&BA

Gloves Off in Personal Care

Dollar-and-cents thinking has given rise to two new phenomena in exchange H&BA departments: No-brand items and loss leaders. Reaction to both is mixed at best.

By SUSANNE D. WILLIAMS
Associate Editor

IN THE MILITARY community, the quest for health and beauty still ranks high on the list of priorities, military resale figures indicate.

Health and beauty aid sales for 1981 totaled $327.8 million, according to the Army Times Research Department, up 11.2 percent over 1980 sales. These figures, although reflecting in part price hikes for certain H&BA products, also signify a slight percentage increase in the product category as a whole: In 1980 H&BA items accounted for 6.9 percent of all exchange sales worldwide; in 1981 the percentage climbed to 8.4.

Commissary H&BA sales have maintained a steady 2.8 percent share of total comstore sales, with dollar sales increasing by 8.4 percent from 1980 to $118.9 million in 1981.

Economic Considerations

Not all product categories have fared equally well. MILITARY MARKET learned in discussions concerning personal care products with buyers and vendors. Here and there, the ailing economy has left its imprint. In cosmetics and nail care, for instance, "the industry is kind of soft," one military buyer said, but AAFES managed to "hold its own" in this area.

On the other hand, ethnic H&BA items constitute "a very growing, a very exciting market," another AAFES buyer told MILITARY MARKET. Hair care products are also "on the upswing," and AAFES has done well with its AAFES Budget Specials, a line of 106 low-priced H&BA products featuring a brand name, an AAFES label or no brand label at all.

NAVRESSO has instituted its own similar program by selling a number of popular H&BA items under a Navy Exchange label.

Overall, the economy has had a seesaw effect on the personal care segment of the H&BA market, some industry experts think. "The economy today is very strong in certain aspects," Dick Metzler, MSM, for **Revlon**, told MILITARY MARKET. "The carriage trade has never sold better, and low-end products are doing very well. It's the middle-priced line that has a great deal of difficulty, even in the military."

Imogene Huwyler, however, AAFES' buyer for cosmetics and nail care, sees a slightly different trend. In terms of percentages, sales for those subcategories AAFES offers to its customers — prestige, classic and mass — have "increased about the same," she said.

Part of the reason may lie in AAFES' approach to the beauty part of the health and beauty category. "Our stores are totally self-service," Huwyler said. As a result, "we don't have a broad asssortment of prestige [lines]." And offering fewer prestige lines means a limit in sales potential.

Customers to support sales of

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COMMISSARY H&BA SALES

	WORLDWIDE	DOMESTIC	OVERSEAS
Oral hygiene	$21,000,000	$17,000,000	$4,000,000
Toothpaste/powder	14,900,000	12,000,000	2,900,000
Mouthwash	6,100,000	5,000,000	1,100,000
Hair care	19,600,000	16,000,000	3,600,000
Men's grooms/tonics	5,200,000	4,200,000	1,000,000
Women's hair spray/ moisturizers/ conditioners	—	—	—
	14,400,000	11,800,000	2,600,000
Shampoo	13,200,000	10,700,000	2,500,000
Shaving needs	18,800,000	15,300,000	3,500,000
Shaving creams	5,600,000	4,600,000	1,00,000
After shave/prelotions	3,100,000	2,600,000	500,000
Razor blades	10,100,000	8,100,000	2,000,000
Cosmetics	19,400,000	15,800,000	3,600,000
Lotions/creams, hand, body and face	6,400,000	5,200,000	1,200,000
Deodorants	13,000,000	10,600,000	2,400,000
Remedies/analgesics	18,600,000	15,100,000	3,500,000
Vitamins	7,100,000	5,800,000	1,300,000
All other	1,200,000	1,00,000	200,000
TOTAL	$118,900,000	$96,700,000	$22,200,000

SOURCE: Army Times Research Department. Data for CY 1981.

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more expensive merchandise are certainly not in short supply, predominantly two-income households and retirees relieved of the financial burden of child-rearing, an industry expert said.

Elizabeth Arden, for instance, finds that its product lines in AAFES exchanges "have done strikingly well." Although the economy has hurt sales in a few areas, women will continue to buy skin treatment products, including those with high pricepoints. "Women are more conscientious about taking care of their skin," Joan Jealous, MSM for Elizabeth Arden, told MILITARY MARKET. She sees working women and their product needs as a particularly "strong growth area."

A **Chanel** spokesperson also acknowledges the dampening effect of the economy on sales, but added that "body care becomes more and more important," nevertheless. Chanel's exchange business, however, is very limited: Major sales originate from the company's fragrance sales, with body lotions and bath oils basically "complementing the fragrance purchase."

Women with less disposable income are not neglecting their skin, either. "Cosmetics are really doing well," the MSM for **Noxell,** maker of Noxema cleansing cream and the Cover Girl cosmetics line, told MILITARY MARKET. "As dollars and cents have become more important, budget [products] are doing bettter. Our business is up 23 percent in dollar sales."

Preselling Via Ads

Regardless of whether sales are climbing or sluggish, manufacturers of personal care products have to stay on their toes to keep their sales on an even keel. While some industries reduce advertising and new product introductions during economically unfavorable times, those firms in the personal care business cannot afford to do so. Noxell, for instance, plows 26 percent of its sales into advertising, the company's MSM said.

The cosmetics business in particular is a unique area, a business for "dyed-in-the-wool professionals," the MSM for **Menley & James** said. The company recently sold its personal care lines, Sea & Ski and Love cosmetics, to concentrate more heavily on health products. Cosmetics require a lot of money, the MSM told MILITARY MARKET; they thrive on new product introductions and need depth of personnel to properly distribute the product.

For exchanges, with their limited saleshelp, the presell approach, via advertising and new product introductions, is especially important, the Chanel spokesperson noted. And in spite of general economic woes, 1981 saw no reduction in ad spending by H&BA product manufacturers.

According to *Media Marketing Manual*, total 1981 ad spending for cosmetics and toiletries was nine percent higher than the preceding year's, with outdoor advertising garnering the highest percent increase. The greatest amount of advertising dollars is spent on hair treatment products, followed by creams and lotions, shampoos and rinses and toilet soaps, the manual noted. It also credited growth in these categories to the introduction of several new products as well as the growing popularity of

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HOUSE BRANDS are finding their way into resale H&BA departments. Both NAVRESSO and AAFES offer their own lines of products that rival name-brand products in price and looks.

STICKS/SOLIDS are the fastest growing category in the deodorant/antiperspirant market; they are also the Number 1 seller in AAFES exchanges. In June, Jean Naté added a new solid antiperspirant to its 25 SKU line.

Make every day a dry day.

Brut 33 Light Powder Anti-perspirant Spray. Keeps you dry longer, gives heavy duty deodorant protection, and the great smell of Brut® ... by Fabergé.

H&BA

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liquid soap.

In the personal care area, specifically in the cosmetics field, new product introductions have a role all their own. "The consumer wants to buy youth," Revlon's Metzler told MILITARY MARKET.

"But you cannot buy youth in a jar: Age is age. Therein lies the problem — or challenge — for manufacturers. Customers are always looking for new products; they are never satisfied and always have an open ear for a new promise."

Newer and Better

Revlon has offered a new "promise" with its introduction of the European Collagen Complex line, which has a "very, very high repeat purchase rate." Although collagen "has been around for a very long time, we had to do something to make it truly beneficial," Metzler said. And since the company "brought the benefits of collagen down to a reasonable price, customers are buying with gusto."

Noxell has just introduced 15 items. "That's a lot of new items," the company MSM admitted. Among them are make-up accessories, such as powder puffs, applicators and brushes — "implements that gals use."

Elizabeth Arden has developed a four-product line of Moisture Ac-

ETHNIC H&BA:

THE NEEDS of military customers are strikingly different in the ethnic area of H&BA, where differences in skin shade and hair texture require a host of products for care and maintenance.

But product variety in the ethnic market is a relatively new phenomenon. "Ten to 15 years ago, a lot of products were not available to black people," Spurgel Hicks of **Axtonx Sales Co.**, a distributor for a number of products geared to the black consumer market, told MILITARY MARKET.

Today, there are a number of established black-product companies, such as **Johnson Products, Pro-Line Corp., M&M Products** and **Fashion Fair**, with sales in the multimillion dollar range. Even industry giants **Revlon** and **Monarch Crown** now offer product lines especially geared toward black users. And new companies are springing up as well. "Things change very rapidly," Hicks said.

Industry experts say the black market has characteristics all its own. "Blacks are brand people, especially in hair care," one source told MILITARY MARKET. "If you are considered second class, you want first class [products]."

"Research has found blacks respond with greater enthusiasm to promotions and new product introductions," another source indicated. "But black women do not use cosmetics as consistently as their Caucasian counterparts. I don't think they need them. They have color, they don't need it. Blacks spend far more money on hair care."

Black hair care has gone through a number of stages, explained Neal A. Harris Jr., MSM for Johnson Products. Thermal heat was used most often to straighten curly hair until the early 1950s, when the use of sodium hydroxide relaxers introduced "a whole new focus to black hair."

Then three to four years ago, calcium hydroxide products came on the market and had "high consumer appeal." These products irritate hair less than other products and "are just beginning to show their strength," Harris added.

Today's hottest items are curl products, which straighten hair while giving soft curls. "They took a considerable piece of the market and have also brought out a totally new market," he concluded.

There is also a good market for conditioners because many hair care products contain strong chemicals, AAFES buyer Dorothy Macon said.

The market for black-oriented H&BA items is not homogeneous, Harris said; middle-class blacks, for instance, prefer some of the older brands, while young blacks of both sexes like curl items.

Some blacks also like to use products that were available in their home towns, Hicks added.

tion for Dry Skin, a skin plan designed to help dry skin become more normal. The line includes a wash, rinse, moisture lotion and nighttime recovery cream.

Chanel just introduced Visage Chanel/Les Fantastiques, its makeup collection for spring 1983, plus travel-size versions of its popular moisturizers, and new "portable" packaging for its firming freshener and refining toner.

Johnson & Johnson has introduced Act, a fluoride rinse that is designed to reduce cavities in children. Its unusual package — the container's cap doubles as a serving cup — prevents children from using too much of the product, Richard Scott, the company's MSM told MILITARY MARKET.

Gillette has added Aapri, an apricot cleansing-grain product, to the existing line of skin cleansers, and **Monarch Crown/Bristol Myers** has extended its Sea Breeze line to include a cleansing scrub. **Armour-Dial** has capitalized on the growth of liquid soaps with Liqua 4, a liquid soap packaged in a container shaped like a bar of soap, which can be placed in a soap dish.

The list of new product introductions does not stop at this point, and line extensions or new makeup palettes are the continuing order of the day. But although the

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BENIGN NEGLECT?

When sent to different areas of the world, they still like to use — and buy — the products they have become accustomed to. Finding those products can often be difficult. Retailers have traditionally thought "one line will do it [for the black customers]," Harris said. "But they want choice."

If black customers do not find such a choice on base, they rarely address the person in charge. "Black customers are not vocal customers," Harris said. Instead, they will seek their choice in civilian stores off base.

Such a solution does not present itself overseas, where civilian retailing outlets do not carry products for black customers, he added. As a result, the black person has a "serious problem. He keeps in touch with hairstyles and expects a broad range of products." With none available on the local economy, however, exchanges and commissaries become his "sole source of product" — and therein lies a responsibility for military retailers.

Exchanges have met this responsibility better than commissaries, Harris noted. The latter "have failed to provide an opportunity [to shop for black H&BA products at the lower commissary prices]."

Yet "supermarkets are the best business [location] for toiletry items," Hicks noted. According to *Media Marketing Manual*, shampoos, fixatives and conditioners derive between 40 percent and 50 percent of their sales from these outlets.

Commissaries have not provided an adequate assortment, primarily because of "a lack of knowledge and experience," Hicks said. But change is afoot.

Hicks recently entered into an agreement with six of the commissaries in AFCOMS' South Texas Complex, under which a range of about 25 different hair care items will be offered to black customers for an initial trial of 30 days. These products, from a variety of manufacturers, are not the same as those already listed on supply bulletins, Hicks said.

So far, the stores have purchased approximately $30,000 worth of products, which they display off-shelf. Although sales "have not been near to our expectations," complex Director Clarence R. Maness said, the test program idea "was intriguing."

Part of the slow sales picture in the test might be the fact that only hair care products are being tested and their pricepoints do not compare favorably with exchange prices. "It takes time to work out the logistics," Hicks said.

At MILITARY MARKET press time it was too early to predict the outcome of the test. "We really believe there is a future in this. [By offering more products for blacks] the community is serviced," Maness said. — **S.D.W.**

Carry a big stick of protection.

Brut 33 Anti-Perspirant Stick Deodorant. Effective glide-on protection you can carry—plus the great smell of Brut.® By Faberge.

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business lives off and from rejuvenation, "you just don't bring out a new product for the heck of it," the MSM for **S.C. Johnson** told MILITARY MARKET. To which Revlon's Metzler adds," You can sell any treatment once. But the key is repeat sales."

COLOR COSMETICS are a product category that manufacturers feel needs demonstration and fashion advice. In Max Factor's new Eye Designs powder shadows, the packaging itself gives customers an instant picture of correct eye shadow combination and application.

Budget Specials

The newest line, replete with line extensions, is AAFES' Budget Special program of H&BA products. The idea "goes back a long way," Roy Nielsen, supervisory merchandising specialist for AAFES' Stationery/Toiletries Section, told MILITARY MARKET. It started with a vitamin line in the 1970s, Nielsen recalled, and gradually evolved into other things. "As sales built, we looked at expanding."

The ABS program approximates similar phenomena in the civilian retailing world and includes such high sales volume items as toothpaste, mouthwash, shampoos, shaving cream and other hygiene essentials. In terms of containers and graphics, the featured items bear an uncanny resemblance to their famous brand-name cousins, but there's one big difference: price.

AAFES, which sells its ABS products with markups from five percent to 25 percent, periodically surveys the civilian market and its comparable house-brand or no-brand items for price. "We have to show savings to customers over the civilian trade," Nielsen said. ABS items are usually sold side-by-side related brand-name products, but in most cases the branded product outsells the ABS item, Nielsen told MILITARY MARKET.

"Anything taken internally is not as popular [in the ABS line as products for use on the body or skin surface]. People tend to pay more for a name they trust." But popularity is rather strong in some items. "We sell a tremendous amount of dandruff-control shampoo and toothpaste."

A quick glance at sales sheets pegs sales of AAFES' family size toothpaste at 108,000 units last year; **Procter & Gamble's** Crest, on the other hand, sold 534,000 units during the same time, Nielsen said. P&G's Prell 7-ounce size sold to the tune of 131,000; the comparable AAFES me-too product clocked in at 115,000 units.

Such comparisons can be misleading, however. Most manufacturers offer a given product in different sizes and types; in its ABS line, AAFES basically sticks with just one product in the most popular type and size. As a rule, brand names still dominate the market with their total product range, and to extrapolate how an AAFES' product fares by comparison "just depends [on how it is compared]."

Yet the popularity of ABS products is evident from AAFES' overall H&BA sales. Their 1981 share climbed to 5.8 percent of the category's total sales of $232.6 million, up from 4.2 percent of 1980's sales of $213.2 million, Nielsen said. "The jump is a little deceiving, though.

"In 1979 and 1980 we added a few items, which hadn't reached their potential in 1980. It takes a while to build up a no-name product, about four to six months. Sales of brand-name items benefit from ad support. If they get a lot of money, it might go a little quicker," Nielsen said.

Even when adjusted for new product additions, the ABS sales figures indicate that customers respond favorably to the lower-priced products. The same, however, cannot be said for manufacturers of brand-name products.

"They are kind of worried that we're trying to knock them off," Dorothy Macon, AAFES' buyer for budget toiletries, told MILITARY MARKET. "They don't particularly like it."

Some industry experts are not so kind. "AAFES is party to playing a hoax," said one source, who chose to remain anonymous. "They fool customers and take advantage of them. They sell them products in disguise, in a mask, so to speak. No retailer can find a short-run type of manufacturer that can duplicate a product's formula or quality control. AAFES also pays more for copies of containers [used by brand-name manufacturers]. Far more money goes into the look of the product and less money into ingredients."

AAFES does not agree. "We shoot for high quality," Macon said. "We have been very careful to get good items, good quality and quality control." All 'ABS

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HAIR CARE items show continued growth, spurring the introduction of new products and line extensions. Gillette has added Silkience Conditioning Hair Spray to its Silkience line of hair care products "in response to the renewed vitality in the hair spray market over the last five years."

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items are currently being tested; this is done periodically throughout the year.

AAFES' Nielsen also takes issue with the statement on ABS production expenses. "The big factor [in name-brand product costs] is not the container. It's advertising and product development." These expenses jack up their price, whereas no-name products, not encumbered from such overhead, can be sold cheaper.

All sources criticizing AAFES' ABS program, however, give the system credit for trying. "They try to help the low-income customer; that's a very admirable goal of theirs," one source said. "They really believe they're doing the right thing," another told MILITARY MARKET. But — "the jury is still out on it. Somebody who spends $50 in a beauty salon will not buy some 39¢ shampoo. You can't change the buying habits of your customers. This could backfire very seriously."

The "right thing" for AAFES is offering customers "service and choice," Nielsen said. Counters one of the critics: "That's not entirely true. That's just the company line."

The verbal battle — and eventually the brand-vs.-no-brand battle for shelf space and market share — is not going to disappear soon. On the contrary. "The United States — that's competition," Nielsen said.

Loss Leaders Gain

More competition can also be expected from AAFES' program of offering H&BA items as loss-leaders to its customers. Under the program, brand-name products are sold at below-market prices, at times even below cost. The idea is to establish exchanges as retail outlets with cut-rate prices that encourage customers to come into the store. The practice is common in civilian stores, but AAFES adopted it just last fall.

To date, 117 products make up the loss-leader list, although AAFES prefers not to use the term, choosing instead more elaborate descriptions, such as "key items to draw customers to the store." Sixteen items were added to the original list of 101 last April, and "probably all [loss leaders] had accelerated sales," one industry source told MILITARY MARKET.

ALOE VERA and jojoba are buzz words in today's hair care market. Faberge's Organics collection, which is the third best-selling shampoo in AAFES exchanges, has extended its line with an Aloe Vera shampoo and conditioner.

But industry reaction is far from enthusiastic. For one, AAFES established the list without consulting the vendors of those items on it, one military MSM complained. "AAFES told everybody at the last minute," he said. "Prices had to be revised because some manufacturers were just about to raise prices on their products."

Another industry source feels that AAFES pools vendors' VPRs for all H&BA items, whether the VPR item is on the loss-leader list or not. "It's not exactly ethical," he said. "[The program] is a bust." He also thinks AAFES does not offer its loss leaders in the same ratio as warranted by the product category's market share. In one category having more than $300 million in annual sales, AAFES has just two loss-leader items; in a $150 million category it offers three, he said.

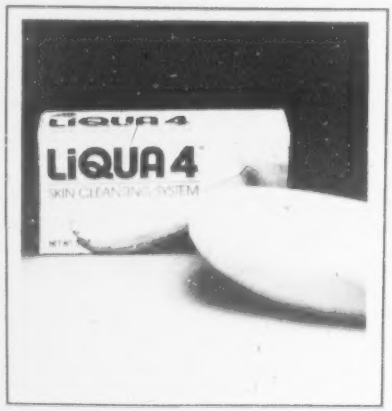
Facings present a problem as well. Many loss leaders have only one facing, one critic pointed out. Although they sell fast, the resulting gap is not always filled with the same product, but with products that are not part of the loss-leader list.

Such things might have happened in the early stages of the program, Nielsen conceded, "when we didn't know what the impact [of the program] would be. Some stores might not have anticipated the volume.

Occasionally, vendors also expect special treatment for VPR'd products, asking for off-shelf positioning. Although "there is no hard-and-fast rule [on off-shelf displays], not all products can get it," Nielsen explained. Nor are all products featured that vendors offer for promotion.

By offering the ABS and loss-leader programs and thus emulating civilian market practices, AAFES has opened a Pandora's box, but there is little that vendors seem to be able to do to change the current situation. "I can't stop offering them VPRs," one source said. "I can't tell them at which price to sell. But there will be no additional VPRs or deeper cuts [because of the programs]."

Such criticism is nothing new. Vendors to the military traditionally complain about slow product introductions, especially in commissaries; about lack of promotional support; about limited assortments, and about price structures.



ARMOUR-DIAL's Liqua 4 has added a uniquely shaped product to the increasingly popular liquid soap category. The product looks like a bar of soap, yet contains a liquid product with four special ingredients for skin cleansing and moisturizing.

They also sell H&BA — and other — products to the military, a market environment that does not know unemployment and offers a steady flow of customers. "There are less restraints and more affluence in the civilian retail market," one MSM told MILITARY MARKET. "But there are also more outlets [in which to sell a company's products]. In the military, you don't see these highs and lows. It's a more stable form of business."

MM

Military Market INDEX

COMMISSARIES

		JULY			YEAR-TO-DATE		
		CY'82	CY'81	%CHANGE	CY'82	CY'81	%CHANGE
AIR FORCE	CONUS	$147,823	$136,966	+7.93	$962,390	$900,938	+6.82
	OVERSEAS	30,726	26,499	+15.95	192,693	183,227	+5.17
	TOTAL	178,549	163,465	+9.23	1,155,083	1,084,165	+6.54
ARMY	CONUS	106,184	100,984	+5.15	698,464	665,392	+4.97
	OVERSEAS	31,304	28,496	+9.85	210,184	197,912	+6.20
	TOTAL	137,488	129,480	+6.18	908,648	863,304	+5.25
NAVY	CONUS	54,412	51,524	+5.61	358,109	337,382	+6.14
	OVERSEAS	6,419	6,239	+2.89	42,057	40,810	+3.06
	TOTAL	60,831	57,763	+5.31	400,166	378,192	+5.81
MARINES	CONUS	11,654	10,843	+7.48	76,613	72,689	+5.40
	OVERSEAS	188	168	+11.90	1,241	1,152	+7.73
	TOTAL	11,842	11,011	+7.55	77,854	73,841	+5.43
COAST GUARD	CONUS	339	508	—*	2,007	3,480	—*
	OVERSEAS	143	201	-28.86	1,243	1,323	-6.05
	TOTAL	482	709	—*	3,250	4,803	—*
ALL COMMISSARIES	CONUS	320,412	300,825	+6.51	2,097,583	1,979,881	+5.94
	OVERSEAS	68,780	61,603	+11.65	447,418	424,424	+5.42
	TOTAL	$389,192	$362,428	+7.38	$2,545,001	$2,404,305	+5.85
GROCERY STORES	U.S.	$20.642 bil	$19.364 bil	+6.60	$132.408 bil	$125.064 bil	+5.87

EXCHANGES

AAFES	CONUS	$225,197	$196,657	+14.51	$1,498,905	$1,368,316	+9.54
	OVERSEAS	146,051	132,154	+10.52	1,020,054	947,285	+7.68
	TOTAL	371,248	328,811	+12.91	2,518,959	2,315,601	+8.78
NAVY	CONUS	79,079	79,934	-1.07	569,720	567,018	+0.48
	OVERSEAS	32,686	30,273	+7.97	234,904	211,067	+11.29
	TOTAL	111,765	110,207	+1.41	804,624	778,085	+3.41
MARINES	CONUS	28,268	26,154	+8.08	190,332	174,376	+9.15
	OVERSEAS	4,587	3,750	+22.32	32,166	26,877	+19.68
	TOTAL	32,855	29,904	+9.87	222,498	201,253	+10.56
COAST GUARD	CONUS	5,840	6,018	-2.96	40,999	40,662	+0.83
	OVERSEAS	651	671	-2.98	4,571	4,536	+0.77
	TOTAL	6,491	6,689	-2.96	45,570	45,198	+0.82
MAIL ORDER	CONUS	891	622	+43.25	7,181	5,236	+37.15
	OVERSEAS	3,797	3,142	+20.85	27,086	21,271	+27.34
	TOTAL	4,688	3,764	+24.55	34,267	26,507	+29.28
ALL EXCHANGES	CONUS	339,275	309,385	+9.66	2,307,137	2,155,608	+7.03
	OVERSEAS	187,772	169,990	+10.46	1,318,781	1,211,036	+8.90
	TOTAL	$527,047	$479,375	+9.94	$3,625,918	$3,366,644	+7.70
DEPARTMENT STORES	U.S.	$8.356 bil	$7.786 bil	+7.32	$54.271 bil	$51.649 bil	+5.08

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ships stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard.

*Not comparable because of Sept. 1, 1981, conversion of commissary at Petaluma to NAF status.

Individual figures may not add to totals because of rounding. All sales are expressed in millions (add 000), except for grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges, and exchange sales include concession volume.

NOTE

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